

RESOLUTION NO. 2004-18

RESOLUTION OF THE PUBLIC FINANCING AUTHORITY  
OF THE CITY OF ROCKLIN  
ACCEPTING THE AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR 2002-2003

The Rocklin Public Financing Authority does resolve as follows:

Section 1. The Rocklin Public Financing Authority hereby accepts the audited financial statements for the fiscal year 2002-2003 in the form attached hereto as Exhibit A and by this reference incorporated herein.

PASSED AND ADOPTED this 22nd day of June, 2004, by the following roll call vote:

AYES: Members: Magnuson, Lund, Yorde, Hill, Storey

NOES: Members: None

ABSENT: Members: None

ABSTAIN: Members: None



\_\_\_\_\_  
Brett Storey, Chairman

ATTEST:



\_\_\_\_\_  
Secretary

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# Rocklin Public Financing Authority

Rocklin, California

*Component Unit Financial Statements  
and Independent Auditors' Report*

*For the year ended June 30, 2003*

# Rocklin Public Financing Authority

## Table of Contents

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	<u>Page</u>
Independent Auditors' Report.....	1
 <b>Basic Financial Statements:</b>	
Governmental-Wide Financial Statement:	
Statement of Net Assets.....	
Statement of Activities and Changes in Net Assets .....	
 Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	
Reconciliation of Governmental Funds Balance Sheet to the Government -	
Wide Statement of Net Assets.....	
Statement of Revenues, Expenditures and Changes in Fund Balances -	
Governmental Funds.....	
Reconciliation of Governmental Funds Statement of Revenues, Expenditures	
and Changes in Fund Balances to the Government - Wide Statement of	
Activities and Changes in Net Assets.....	
 Notes to Basic Financial Statements .....	
 <b>Required Supplementary Information:</b>	
Budgetary Information .....	
Budgetary Comparison Schedule - Debt Service Fund .....	

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council  
of the City of Rocklin  
Rocklin, California

We have audited the accompanying component unit financial statements of the Rocklin Public Financing Authority (Authority), a component unit of the City of Rocklin, as of and for the year ended June 30, 2003, as listed in the foregoing table of contents. These component unit financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2003, and the results of its operations and changes in fund balances for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City adopted Statements of the Governmental Accounting Standards Board No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*.

Oakland, California  
October 10, 2003

# Rocklin Public Financing Authority

## Statement of Net Assets

June 30, 2003

	Governmental Activities
<b>ASSETS</b>	
Restricted pooled cash and investments	\$ 1,156,862
Cash and investments with fiscal agents	14,325,137
<b>Total assets</b>	<b>15,481,999</b>
<b>LIABILITIES</b>	
Current liabilities:	
Interest payable	285,364
Long-term debt - due within one year	410,000
<b>Total current liabilities</b>	<b>695,364</b>
Noncurrent liabilities:	
Long-term debt - due in more than one year	14,540,000
<b>Total noncurrent liabilities</b>	<b>14,540,000</b>
<b>Total liabilities</b>	<b>15,235,364</b>
<b>NET ASSETS</b>	
Invested in capital assets net of related debt	-
Restricted for:	
Debt service	538,099
Unrestricted	(291,464)
<b>Total net assets</b>	<b>\$ 246,635</b>

See accompanying Notes to the Basic Financial Statements.

**Rocklin Public Financing Authority**  
**Statement of Activities and Changes in Net Assets**  
**for the year ended June 30, 2003**

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 14,600	\$ -	\$ -	\$ -
Debt service:				
Interest	869,767	-	-	-
<b>Total primary government</b>	<b>\$ 869,767</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**General revenues:**

Use of Money and property

**Transfers**

**Total general revenues and transfers**

**Change in net assets**

**Net assets - beginning of year, as restated**

**Net assets - end of year**

See accompanying Notes to the Basic Financial Statements.

	Revenue and Changes in in Net Assets
	Primary Government Governmental Activities
Totals	
-	(14,600)
-	(869,767)
\$ -	(884,367)

858,728
135,000
993,728
109,361
137,274
\$ 246,635

# Rocklin Public Financing Authority

## Balance Sheet

### Governmental Funds

June 30, 2003

		Major Funds
		Debt Service
<b>ASSETS</b>		
Restricted pooled cash and investments	\$	1,156,862
Cash and investments with fiscal agents		14,325,137
<b>Total assets</b>	<b>\$</b>	<b>15,481,999</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$	-
Accrued Payroll		-
Due to other funds		-
Compensated Absences		-
<b>Total liabilities</b>		-
<b>Fund Balances:</b>		
Reserved:		
Debt service		15,481,999
Designated for:		
Capital improvements		-
Undesignated:		-
<b>Total fund balances</b>		<b>15,481,999</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>15,481,999</b>

See accompanying Notes to the Basic Financial Statements.



**Rocklin Public Financing Authority**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2003**

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Total Fund Balances - Total Governmental Funds

\$ 15,481,999

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.

(285,364)

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.

(14,950,000)

Net Assets of Governmental Activities

\$ 246,635

See accompanying Notes to the Basic Financial Statements.

# Rocklin Public Financing Authority

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds

For the year ended June 30, 2003

	Major Funds
	Debt Service
REVENUES:	
Use of money and property	\$ 858,728
Total revenues	858,728
EXPENDITURES:	
Current:	
General government	14,600
Debt service:	
Principal retirement	400,000
Interest and fiscal charges	875,867
Total expenditures	1,290,467
REVENUES OVER (UNDER) EXPENDITURES	(431,739)
OTHER FINANCING SOURCES (USES):	
Transfers in	135,000
Total other financing sources (uses)	135,000
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(296,739)
FUND BALANCES:	
Beginning of year, as previously reported	15,778,738
End of year	\$ 15,481,999

See accompanying Notes to the Basic Financial Statements.

# Rocklin Public Financing Authority

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2003

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Net Change in Fund Balances - Total Governmental Funds	\$	(296,739)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

This amount represents long-term debt repayments.

400,000

Accrual of interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, the accrual of interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from prior year.

6,100

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Change in Net Assets of Governmental Activities

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\$ 109,361

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**Rocklin Public Financing Authority**  
**Notes to Component Unit Financial Statements**  
**For the year ended June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Rocklin Public Financing Authority (Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

***A. Financial Reporting Entity***

The Authority is a joint powers authority organized by the City of Rocklin (City) and the Rocklin Redevelopment Agency (Agency) December 13, 1994, under the laws of the State of California. The Authority was organized to provide financial assistance to the City and Agency for public improvements for the benefit of the residents of the City and the surrounding areas. Administrative and related normal business expenses incurred in the day-to-day operations of the Authority are provided by the City and are not included in the accompanying component unit financial statements. Management believes that such expenses are not material to the Authority's operations.

***B. Basis of Accounting and Measurement Focus***

In order to ensure the proper identification of individual revenue sources and the expenditures made from those revenues, the accounts of the Authority are organized on the basis of a governmental fund and an account group, each of which is considered a separate accounting entity. The operations of this fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

**Governmental-Wide Financial Statements** - The Authority Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the Authority.

The basic financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

**Governmental Fund Financial Statements** - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for the governmental fund. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements.

**Rocklin Public Financing Authority**  
**Notes to Component Unit Financial Statements**  
**For the year ended June 30, 2003**

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The governmental fund is accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are income from investments and leases. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**Governmental Fund**

Debt Service Fund - The purpose of these funds is to account for the accumulation of resources for, and the payment of, principal and interest on general obligation bonds, tax increment bonds and certificates of participation.

**Account Group**

General Long-Term Debt Account Group - The purpose of this account group is to account for the unmatured long-term obligations of the Authority.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

**Rocklin Public Financing Authority**  
**Notes to Component Unit Financial Statements, Continued**  
**For the year ended June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***C. Use of Restricted/Unrestricted Net Assets***

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

***D. Cash, Cash Equivalents and Investments***

The Authority participates in the City's cash and investment pool, which is managed by the City Treasurer. For purposes of reporting cash flows, the Authority's share in the City's cash and investments pool is cash and cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

***E. Long-Term Obligations***

**Government-Wide Financial Statements** - Long-term debt and other financed obligations are reported as liabilities in the appropriate activities.

**Fund Financial Statements** - The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

**Rocklin Public Financing Authority**  
**Notes to Component Unit Financial Statements, Continued**  
**For the year ended June 30, 2003**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***G. Net Assets and Fund Equity***

**Government-Wide Financial Statements:**

**Restricted Net Assets** - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

**Unrestricted Net Assets** - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

**Fund Financial Statements:**

**Fund Equity** - Reservations and designations of fund balances of governmental funds and unrestricted net assets of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures

***H. Use of Estimates***

In preparing basic financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of June 30, 2003, and the reported amount of revenues, expenditures and expenses during the year then ended. Actual results could differ from those estimates.

***I. Comparative Data***

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operation. Certain reclassifications to prior year comparative amounts have been made in order to be consistent with the current year presentation. Comparative data have not been presented in statements where their inclusion would make those statements unduly complex and difficult to understand.

**B. Rocklin Public Financing Authority**  
**Required Supplementary Information**  
**For the year ended June 30, 2003**

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**J. New Implementation of GASB Pronouncements**

In fiscal year 2003, the Authority adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- Statement No. 38, *Certain Financial Statement Note Disclosures*

**2. CASH AND INVESTMENTS**

Cash, cash equivalents, and investments are maintained in the City of Rocklin Investment Pool.

The Authority's bond indenture agreements permit investments in obligations of the U.S. Treasury, bank certificates of deposit, federal agency obligations, municipal obligations, banker's acceptances rated A or better, guaranteed investment contracts, commercial paper rated prime, repurchase agreements, and government securities money market mutual funds.

The Authority has complied with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*. No current adjustments have been made to the accompanying component unit financial statements, because the Authority's investments were primarily in the State of California Local Agency Investment Fund and the fair value adjustment was immaterial. Restricted cash and investments are stated at fair value, which approximate cost.



**B. Rocklin Public Financing Authority**  
**Required Supplementary Information**  
**For the year ended June 30, 2003**

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The following is a summary of cash and investments at June 30, 2003:

	Governmental Activities
Restricted pooled cash and investments	\$ 1,156,862
Cash and investments with fiscal agents	14,325,137
Total Cash and investments	<u>\$ 15,481,999</u>

**3. LONG-TERM DEBT**

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2003:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
1999 Revenue Bonds	\$ 14,400,000	\$ -	\$ (300,000)	\$ 14,100,000
Ganiats Promissory Note	950,000	-	(100,000)	850,000
Totals	<u>\$ 15,350,000</u>	<u>\$ -</u>	<u>\$ (400,000)</u>	<u>\$ 14,950,000</u>

**B. Rocklin Public Financing Authority**  
**Required Supplementary Information**  
**For the year ended June 30, 2003**

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**3. LONG-TERM DEBT, Continued**

**Special Assessment Districts**

1999 Revenue Bonds – Original issue \$14,910,000

On July 29, 1999, the Authority issued 1999 Revenue Bonds (Bonds) in the amount of \$14,910,000. The Bonds mature annually on September 1 through 2025 and bear interest rates ranging from 4.2% to 6.2%. The proceeds of the Bonds will be used to purchase special tax bonds being issued by the City for and on behalf of the Community Facilities Districts #6, #8 and #9 (Districts) to finance certain public facilities and improvements for each of the three districts. The Bonds are payable from and secured by a pledge of certain revenues consisting of all amounts derived by the Authority and the Trustee from or with respect to the Bonds which are payable from special taxes to be levied and collected within each of the Districts. The City and Authority have no direct or contingent liability or moral obligation for the payment of these Bonds.

The annual debt service requirements on the bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2004	\$ 310,000	\$ 825,842	\$ 1,135,842
2005	330,000	809,595	1,139,595
2006	340,000	792,257	1,132,257
2007	370,000	773,612	1,143,612
2008	380,000	753,452	1,133,452
2009-2013	2,270,000	3,407,802	5,677,802
2014-2018	3,000,000	2,636,351	5,636,351
2019-2023	4,035,000	1,579,000	5,614,000
2024-2026	3,065,000	287,463	3,352,463
<b>Total</b>	<b>\$ 14,100,000</b>	<b>\$ 11,865,374</b>	<b>\$ 25,965,374</b>

Promissory Note

On March 31, 1999, the Authority entered into an installment sale agreement with George C. Ganiats to purchase property. The Authority owes an outstanding principal amount of \$1,250,000 to be paid in ten (10) equal installments of \$100,000 and a final payment of \$250,000. The installment payments are due on April 1, of each year commencing in 2000 and ending in 2009. Interest is accrued and due annually at 5% on the outstanding principal amounts related to the installments and 1.84% on the final payment.

**B. Rocklin Public Financing Authority**  
**Required Supplementary Information**  
**For the year ended June 30, 2003**

The annual debt service requirements to on the note are as follows:

For the Years Ending June 30,	Principal	Interest	Totals
2004	\$ 100,000	\$ 30,000	\$ 130,000
2005	100,000	25,000	125,000
2006	100,000	20,000	120,000
2007	100,000	15,000	115,000
2008	100,000	10,000	110,000
2009-2010	350,000	55,000	405,000
<b>Totals</b>	<b>\$ 850,000</b>	<b>\$ 155,000</b>	<b>\$ 1,005,000</b>

#### 4. RESTATEMENTS OF PRIOR PERIOD BALANCES

**Government-Wide Financial Statements:**

Prior period adjustments were recorded to the government-wide financial statements to record long-term debt and prior year interest accrual in accordance with the implementation of GASB Statement No. 34 as of June 30, 2003.

	As Previously Reported	Prior Period Adjustments		Net Assets as Restated
		Long-Term Debt	Other	
<b>Government-Wide Activities</b>				
Net Assets	\$ 15,778,738	\$ (15,350,000)	\$ (291,464)	\$ 137,274
<b>Total government-wide activities</b>	<b>\$ 15,778,738</b>	<b>\$ (15,350,000)</b>	<b>\$ (291,464)</b>	<b>\$ 137,274</b>

***Budgetary Policies***

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Public meetings are conducted to obtain public comments. The Board of Directors annually adopts the budget for the ensuing fiscal year prior to July 1<sup>st</sup>.
2. The Executive Director is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the Authority Board.
3. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the Debt Service Fund.
4. Budgets for the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Budgeted revenue and expenditure amounts represent the original budget modified by adjustments authorized during the year. The Executive Director must approve adjustments to departmental budgets; however, management may amend the budgeted amounts within departmental expenditure classifications.
6. Appropriations lapse at the end of the fiscal year and then are rebudgeted for the coming year.
7. Budgeted appropriations for the various governmental funds become effective each July 1<sup>st</sup>. The Board of Directors may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level.

**B. Rocklin Public Financing Authority**  
**Required Supplementary Information**  
**For the year ended June 30, 2003**

Budgetary Comparison Schedule - Debt Service Fund

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of money and property	\$ 20,100	\$ 20,100	\$ 858,728	\$ 838,628
<b>Total revenues</b>	<u>20,100</u>	<u>20,100</u>	<u>858,728</u>	<u>838,628</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	14,600	(14,600)
Debt Service				
Principal retirement	400,000	400,000	400,000	-
Interest and fiscal charges	875,900	875,900	875,867	33
<b>Total expenditures</b>	<u>1,275,900</u>	<u>1,275,900</u>	<u>1,290,467</u>	<u>(14,567)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,255,800)</u>	<u>(1,255,800)</u>	<u>(431,739)</u>	<u>824,061</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	975,900	975,900	135,000	(840,900)
<b>Total other financing sources (uses)</b>	<u>975,900</u>	<u>975,900</u>	<u>135,000</u>	<u>(840,900)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (279,900)</u>	<u>\$ (279,900)</u>	<u>(296,739)</u>	<u>\$ (16,839)</u>
<b>FUND BALANCES:</b>				
Beginning of year			15,778,738	
End of year			<u>\$ 15,481,999</u>	